

REFERENCE TITLE: property tax; valuation rollback

State of Arizona
Senate
Forty-ninth Legislature
First Regular Session
2009

SCR 1036

Introduced by
Senator Gould

A CONCURRENT RESOLUTION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE IX, SECTION 18, CONSTITUTION OF ARIZONA; RELATING TO VALUATION ROLLBACK; BASELINE VALUATION SYSTEM; RESIDENTIAL AD VALOREM TAX LIMITS; LIMIT ON INCREASE IN VALUES; DISCLOSURE REQUIREMENTS; PROCEDURAL TIMELINE; EXCEPTIONS; DEFINITIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it resolved by the Senate of the State of Arizona, the House of Representatives concurring:

1. Short title

This measure shall be known as the Arizona Tax Revolt - Property Tax Valuation Rollback.

2. Purpose

The purpose of this measure is to redefine a system of real property taxation to correct for the recent run-up in valuations and the resultant tax increases. Effective in 2012 and applicable to all real property, the measure will among other things, strengthen the existing one percent maximum residential property tax cap while benefiting both current and future real property owners with a valuation rollback. The rollback, to the 2003 full cash valuation, establishes the 2003 valuation baseline to which new improvements, other parcels, and future purchases are valued. Annual increases in the taxable value are limited to 2%, or the 2003 baseline valuation of new improvements. To improve uniformity of taxation all real property valuations and tax billing statements are computed for, applicable to, and mailed in the same calendar year.

3. Article IX, section 18, Constitution of Arizona, is proposed to be amended as follows if approved by the voters and on proclamation of the Governor:

18. VALUATION ROLLBACK; BASELINE VALUATION SYSTEM; residential ad valorem tax limits; limit on increase in values; DISCLOSURE REQUIREMENTS; PROCEDURAL TIMELINE; EXCEPTIONS; definitions

Section 18. (1) The maximum amount of ad valorem taxes that may be collected from residential property in any tax year shall not exceed one per cent of the property's full cash value as limited by this section.

(2) THE FOLLOWING ARE THE ONLY ITEMS THAT the limitation provided in subsection (1) does not apply to:

(a) Ad valorem taxes or special assessments levied to pay the principal of and interest and redemption charges on bonded indebtedness or other lawful long-term obligations issued or incurred for a specific purpose.

(b) Ad valorem taxes or assessments levied by or for property improvement assessment districts, improvement districts and other special purpose districts other than counties, cities, towns, school districts and community college districts.

(c) Ad valorem taxes levied pursuant to an election to exceed a budget, expenditure or tax limitation.

(3) BEGINNING IN 2012, AND SUBJECT TO APPEAL, except as otherwise provided by subsections (5), (6) and (7) of this section the value of ALL real property and improvements and the value of mobile homes CLASSIFIED BY LAW AS REAL PROPERTY AND

1 used for all ad valorem taxes ~~except those specified in~~
2 ~~subsection (2)~~ shall be KNOWN AS THE UNIFORM PROPERTY VALUE,
3 WHICH SHALL NEVER EXCEED ~~the lesser of~~ the full cash value of
4 the property. ~~or an amount ten per cent greater than the value~~
5 ~~of property determined pursuant to this subsection for the prior~~
6 ~~year or an amount equal to the value of property determined~~
7 ~~pursuant to this subsection for the prior year plus one fourth~~
8 ~~of the difference between such value and~~ The COMPUTATIONS
9 PRESCRIBED BY THIS SUBSECTION ARE APPLICABLE TO AND BASED ON ALL
10 SUCH PARCELS WITHIN THE GEOGRAPHIC AREA OF THE COUNTY AND, TO
11 THE EXTENT THAT EACH PARAGRAPH IS APPLICABLE, MUST BE CALCULATED
12 SEQUENTIALLY PURSUANT TO PARAGRAPHS (a) THROUGH (d) OF THIS
13 SUBSECTION.

14 (a) THE full cash value of the property for THE current
15 tax year, ~~whichever is greater~~ INCLUDING THE VALUE OF
16 IMPROVEMENTS MADE AND NOT PREVIOUSLY REFLECTED IN THE VALUATION
17 OF EACH PARCEL, SHALL BE COMPUTED TO REFLECT THE PARCEL'S
18 CURRENT MARKET VALUE USING APPRAISAL METHODS PRESCRIBED BY AND
19 IN CONFORMANCE WITH ALL STATUTORY REQUIREMENTS, ALL SUCH
20 COMPUTATIONS SHALL BE COMPLETED WITHIN EACH COUNTY PRIOR TO
21 COMPUTING THE UNIFORM PROPERTY VALUE OF ANY PARCEL IN THAT
22 COUNTY.

23 (b) IN TAX YEAR 2012, IF THE FULL CASH VALUE SHOWN ON THE
24 PARCEL'S 2003 TAX BILL WAS DEEMED BY THE ASSESSOR TO HAVE BOTH
25 MET THE STATUTORY REQUIREMENTS APPLICABLE IN THAT YEAR, AND TO
26 HAVE INCLUDED THE VALUE OF ALL IMPROVEMENTS AS OF THE 2003
27 VALUATION DATE, AND THE PARCEL WAS NOT SUBSEQUENT TO THE 2003
28 VALUATION AND PRIOR TO JANUARY 1, 2012, EITHER SPLIT, COMBINED,
29 SUBDIVIDED OR HAD A CHANGE OF LEGAL CLASSIFICATION OR LEGAL
30 SUB-CLASSIFICATION, OR AN ALTERATION, DELETION, OR NEW
31 CONSTRUCTION THAT AFFECTED THE MARKET VALUE OF THE PARCEL, THE
32 UNIFORM PROPERTY VALUE OF EACH SUCH PARCEL SHALL BE COMPUTED AS
33 THE LESSER OF THE FULL CASH VALUE SHOWN ON THE PARCEL'S 2003 TAX
34 BILLING STATEMENT, AND THE FULL CASH VALUE COMPUTED FOR THIS
35 PARCEL IN THE CURRENT TAX YEAR PURSUANT TO PARAGRAPH (a) OF
36 THIS SUBSECTION. THE FOREGOING PARCEL STATUS SHALL BE
37 DETERMINED USING ALL AVAILABLE HISTORICAL PROPERTY VALUATION
38 DATA AND TO THE EXTENT POSSIBLE BY RECALCULATING NECESSARY DATA.
39 IF INSUFFICIENT HISTORICAL DATA IS AVAILABLE TO DETERMINE THAT
40 ONE OR MORE OF THE FOREGOING ITEMS HAD AFFECTED MARKET VALUE,
41 THOSE ITEMS ARE PRESUMED TO NOT HAVE OCCURRED.

42 (c) TO QUALIFY FOR USE IN THE COMPUTATION OF THE RATIOS
43 PRESCRIBED BY THIS PARAGRAPH, ALL SUCH PARCELS MUST HAVE A
44 UNIFORM PROPERTY VALUE COMPUTED IN THE PRIOR TAX YEAR, MUST BE
45 ON THE COUNTY VALUATION ROLL IN BOTH THE CURRENT TAX YEAR AND

1 THE PRIOR TAX YEAR, AND DURING THIS PERIOD MUST NOT HAVE BEEN
2 SPLIT, COMBINED, SUBDIVIDED, OR HAD A CHANGE OF LEGAL
3 CLASSIFICATION OR LEGAL SUB-CLASSIFICATION, OR AN ALTERATION,
4 DELETION, OR NEW CONSTRUCTION THAT WOULD AFFECT THE MARKET VALUE
5 OF THE PARCEL. FOR THE PURPOSES OF THIS PARAGRAPH, TWO VARIABLES
6 ARE DEFINED: "A" IS THE SUM OF THE FULL CASH VALUE OF ALL
7 PARCELS FROM THE PRIOR YEAR, AND "B" IS THE SUM OF THE UNIFORM
8 PROPERTY VALUE OF ALL PARCELS FROM THE PRIOR YEAR. BEGINNING IN
9 TAX YEAR 2013, AND APPLICABLE TO EACH PARCEL WITH A UNIFORM
10 PROPERTY VALUE COMPUTED IN THE PRIOR TAX YEAR, THE UNIFORM
11 PROPERTY VALUE OF THE PARCEL IN THE CURRENT TAX YEAR SHALL BE
12 COMPUTED AS THE SUM OF TWO TERMS, THE FIRST TERM IS THE PARCEL'S
13 UNIFORM PROPERTY VALUE FROM THE PRIOR TAX YEAR, THE SECOND TERM
14 IS THE PRODUCT OF, THE AMOUNT COMPUTED BY SUBTRACTING THE
15 PARCEL'S FULL CASH VALUE IN THE PRIOR YEAR FROM THE PARCEL'S
16 FULL CASH VALUE IN THE CURRENT YEAR, AND THE RATIO OF VARIABLE B
17 TO VARIABLE A, EXCEPT THAT:

18 (i) ANY INCREASE IN THE UNIFORM PROPERTY VALUE CALCULATED
19 BY THE FOREGOING EQUATION, IS LIMITED TO THE GREATER OF EITHER
20 TWO PER CENT, OR IF IMPROVEMENTS MADE ARE REFLECTED IN THE
21 PARCEL'S FULL CASH VALUE IN THE CURRENT YEAR AND NOT THE PRIOR
22 YEAR, THE 2003 BASELINE VALUATION OF SUCH IMPROVEMENTS. THE
23 FOREGOING 2003 BASELINE VALUATION IS COMPUTED AS THE PRODUCT OF
24 THE CURRENT MARKET VALUE OF SUCH IMPROVEMENTS AND THE RATIO OF
25 VARIABLE B TO VARIABLE A.

26 (ii) THE UNIFORM PROPERTY VALUE CALCULATED PURSUANT TO
27 THIS PARAGRAPH MAY BE DECREASED TO IMPROVE UNIFORMITY OF
28 TAXATION WITH OTHER PARCEL'S LOCATED IN THE SAME COUNTY, AND
29 EITHER HAVING THE SAME LEGAL SUB-CLASSIFICATION OR IF A LEGAL
30 SUB-CLASSIFICATION IS NOT APPLICABLE HAVING THE SAME LEGAL
31 CLASSIFICATION.

32 (d) THE UNIFORM PROPERTY VALUE OF EACH PARCEL, THAT COULD
33 NOT BE COMPUTED EITHER IN TAX YEAR 2012 PURSUANT TO PARAGRAPH
34 (B) OF THIS SUBSECTION, OR BEGINNING IN TAX YEAR 2013 PURSUANT
35 TO PARAGRAPH (c) OF THIS SUBSECTION SHALL, IF THE ASSESSOR DEEMS
36 THAT THERE ARE SUFFICIENT COMPARABLE PARCELS WITHIN THE SAME
37 LEGAL CLASSIFICATION, OR INSTEAD WHENEVER APPLICABLE THE SAME
38 LEGAL SUB-CLASSIFICATION, HAVING BOTH A FULL CASH VALUE WITHIN
39 TWENTY PER CENT OF THE FULL CASH VALUE OF THE PARCEL BEING
40 VALUED, AND A UNIFORM PROPERTY VALUE COMPUTED IN THE CURRENT TAX
41 YEAR BY THE PROVISIONS OF EITHER PARAGRAPHS (b) OR (c) OF THIS
42 SUBSECTION, BE COMPUTED BASED ON SUCH COMPARABLE PARCELS, WITH A
43 PREFERENCE FOR SELECTING COMPARABLE PARCELS LOCATED IN CLOSE
44 PROXIMITY TO THE PARCEL BEING VALUED, AND USING A WEIGHTED MEAN
45 METHOD SUCH AS LINEAR LEAST SQUARES REGRESSION TO COMPUTE THE

PARCEL'S UNIFORM PROPERTY VALUE FROM THE COMPARABLE PARCEL VALUATIONS. IF INSUFFICIENT COMPARABLE PARCELS ARE AVAILABLE, THE PARCEL SHALL BE VALUED USING A CONSISTENT AND UNIFORM METHODOLOGY, IN THE MANNER PRESCRIBED BY LAW, TO THE 2003 VALUATION BASELINE ESTABLISHED IN THE CURRENT TAX YEAR BY ALL PARCELS THAT HAVE A UNIFORM PROPERTY VALUE COMPUTED IN THE CURRENT TAX YEAR PURSUANT TO EITHER PARAGRAPHS (b) OR (c) OF THIS SUBSECTION.

(4)(a) The legislature shall by law provide a method of determining the UNIFORM PROPERTY value OF PROPERTY, ~~subject to the provisions of subsection (3), of new property.~~

(b) BEGINNING IN CALENDAR YEAR 2012, A NOTATION IN AT LEAST TEN POINT TYPE, SHALL BE PRINTED ON EACH VALUATION NOTICE AND REAL PROPERTY TAX BILLING STATEMENT THAT IS VALUED PURSUANT TO SUBSECTION (3), STATING: "PURSUANT TO THE 'ARIZONA TAX REVOLT - PROPERTY TAX VALUATION ROLLBACK' CONSTITUTIONAL AMENDMENT, AD VALOREM TAXES ARE COMPUTED EXCLUSIVELY FROM THE PARCEL'S 'UNIFORM PROPERTY VALUE' WHICH REPRESENTS THE 2003 BASELINE VALUATION OF THIS PARCEL."

(5)(a) The limitation on increases in the value of property prescribed in subsection (3) does not apply to equalization orders that the legislature specifically exempts by law from such limitation.

(b) FOR ALL PROPERTY NOT VALUED AS PRESCRIBED BY SUBSECTION (3):

(i) AND APPLICABLE IN EITHER TAX YEAR 2012, OR FOR NEW PROPERTIES IN SUBSEQUENT YEARS, THE VALUATION USED FOR TAX COMPUTATION PURPOSES IS BASED ON THE CURRENT PHYSICAL CHARACTERISTICS OF THE PROPERTY, AND SUBJECT TO APPEAL, SHALL BE VALUED AS THE AMOUNT THAT WOULD HAVE BEEN COMPUTED IN 2003, EXCEPT THAT IN YEARS SUBSEQUENT TO 2012 THE FOREGOING VALUATION IS INCREASED BY TWO PER CENT SEQUENTIALLY FOR EACH SUCH YEAR.

(ii) ANNUAL INCREASES TO THE VALUATION USED FOR TAX COMPUTATION PURPOSES FOR ALL SUCH PROPERTIES VALUED IN THE PRIOR YEAR AS PRESCRIBED EITHER IN ITEMS (i) OR (ii) OF THIS PARAGRAPH, AND SUBJECT TO APPEAL, SHALL NOT EXCEED THE GREATER OF TWO PER CENT, OR THE 2003 BASELINE VALUATION OF NEW IMPROVEMENTS. THE FOREGOING 2003 BASELINE VALUATION IS COMPUTED AS THE EQUIVALENT 2003 VALUE OF ANY IMPROVEMENT NOT INCLUDED IN THE PREVIOUS YEAR'S VALUATION PLUS TWO PER CENT ADDED SEQUENTIALLY FOR EACH YEAR BEGINNING IN 2013.

1 (6) Subsection (3) does not apply to:
2 (a) Property used in the business of patented or
3 unpatented producing mines and the mills and the smelters
4 operated in connection with the mines.
5 (b) Producing oil, gas and geothermal interests.
6 (c) Real property, improvements thereto and personal
7 property used thereon used in the operation of telephone,
8 telegraph, gas, water and electric utility companies.
9 (d) Aircraft that is regularly scheduled and operated by
10 an airline company for the primary purpose of carrying persons
11 or property for hire in interstate, intrastate or international
12 transportation.
13 (e) Standing timber.
14 (f) Property used in the operation of pipelines.
15 (g) Personal property regardless of use except mobile
16 homes.
17 (7) A resident of this state who is sixty-five years of
18 age or older may apply to the county assessor for a property
19 valuation protection option on the person's primary residence,
20 including not more than ten acres of undeveloped appurtenant
21 land. To be eligible for the property valuation protection
22 option, the resident shall make application and furnish
23 documentation required by the assessor on or before September 1.
24 If the resident fails to file the application on or before
25 September 1, the assessor shall process the application for the
26 subsequent year. If the resident files an application with the
27 assessor on or before September 1, the assessor shall notify the
28 resident whether the application is accepted or denied on or
29 before December 1. The resident may apply for a property
30 valuation protection option after residing in the primary
31 residence for two years. If one person owns the property, the
32 person's total income from all sources including nontaxable
33 income shall not exceed four hundred per cent of the
34 supplemental security income benefit rate established by section
35 1611(b)(1) of the social security act. If the property is owned
36 by two or more persons, including a husband and wife, at least
37 one of the owners must be sixty-five years of age or older and
38 the owners' combined total income from all sources including
39 nontaxable income shall not exceed five hundred per cent of the
40 supplemental security income benefit rate established by section
41 1611(b)(1) of the social security act. The assessor shall
42 review the owner's income qualifications on a triennial basis
43 and shall use the owner's average total income during the
44 previous three years for the review. If the county assessor
45 approves a property valuation protection option, the value of

the primary residence shall remain fixed at the full cash value in effect during the year the property valuation protection option is filed and as long as the owner remains eligible, **EXCEPT THAT THE VALUE OF THE PRIMARY RESIDENCE IN ANY YEAR SHALL BE REDUCED SO AS NOT TO EXCEED ITS CURRENT FULL CASH VALUE.** To remain eligible, the county assessor shall require a qualifying resident to reapply for the property valuation protection option every three years and shall send a notice of reapplication to qualifying residents six months before the three year reapplication requirement. If title to the property is conveyed to any person who does not qualify for the property valuation protection option, the property valuation protection option terminates, and the property shall revert to its current full cash value.

(8) The legislature shall provide by law a system of property taxation consistent with the provisions of this section.

(9) **DEFINITIONS.** For purposes of this section:

(a) **"IMPROVEMENTS MADE" MEANS THE CONSTRUCTION OF STRUCTURES, FIXTURES OR OTHER ITEM(S) ON OR PERMANENTLY ATTACHED TO REAL PROPERTY INCLUDING REASONABLE BUILDERS ENTREPRENEURIAL PROFIT, AND MANUFACTURED HOUSING AND ITS ASSOCIATED MOVING AND SETUP COSTS, EXCEPT:**

(i) **REPAIRS OR RECONSTRUCTION USING MATERIALS OF SIMILAR QUALITY OR VALUE.**

(ii) **RENEWABLE ENERGY SYSTEMS POWERED BY SOLAR ENERGY, WIND, OR MOVING WATER LOCATED ON A SINGLE PARCEL THAT, INCLUDING THE AVAILABLE RENEWAL RESOURCE, ARE CAPABLE OF GENERATING NO MORE THAN FIVE THOUSAND KILOWATT HOURS OF ELECTRICAL ENERGY PER MONTH.**

(iii) **CONSTRUCTION MADE SPECIFICALLY TO FACILITATE OR IMPROVE HANDICAPPED ACCESSIBILITY TO RESIDENTIAL PROPERTY.**

(iv) **MANUFACTURED HOMES BEING TAXED AS PERSONAL PROPERTY ON A PERSONAL PROPERTY TAX BILL.**

(v) **ITEMS AS MAY BE EXEMPTED BY STATUTE.**

(b) **"LEGAL SUB-CLASSIFICATION" MEANS A PORTION OF A LEGAL PROPERTY CLASSIFICATION CONTAINING ONLY PARCELS WITH A COMMON TYPE OF PROPERTY USE, AND AN IDENTICAL ASSESSMENT RATIO.**

(c) **"LINEAR LEAST SQUARES REGRESSION" MEANS A MATHEMATICAL PROCEDURE FOR FINDING THE BEST-FITTING LINE TO A SET OF DATA POINTS.**

(d~~a~~) **"Owner" means the owner of record of the property and includes a person who owns the majority beneficial interest of a living trust.**

(e~~b~~) "Primary residence" means all owner occupied real property and improvements to that real property in this state that is a single family home, condominium, townhouse or an owner occupied mobile home and that is used for residential purposes.

(f) "TAXING ENTITY" MEANS THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE, INCLUDING WITHOUT LIMITATION ANY GOVERNMENTAL BODY OR ENTITY AUTHORIZED TO LEVY A TAX, ASSESSMENT, OR SPECIAL ASSESSMENT, ON REAL PROPERTY.

(g) "UNIFORM PROPERTY VALUE" MEANS THE VALUE OF REAL PROPERTY AS CALCULATED PURSUANT TO SUBSECTION (3).

(10) VALUATION TIMELINE TO IMPROVE UNIFORMITY OF TAXATION; APPEALS

BEGINNING IN 2012, BOTH REAL PROPERTY TAX BILLING STATEMENTS AND VALUATION NOTICES SHALL FOR EACH PARCEL, BE COMPUTED, APPLICABLE TO, AND MAILED IN THE SAME CALENDAR YEAR, AND THE FULL CASH VALUE MUST IN EACH YEAR REFLECT MARKET VALUE CHANGES NOT INCLUDED IN THE PRIOR YEAR'S VALUATION. APPEALS MAY ONLY BE INITIATED AT THE REQUEST OF ONE OR MORE OF THE OWNERS, OR THEIR DESIGNATED AGENT, OF THE PARCEL OR OTHER PROPERTY BEING VALUED PURSUANT TO THIS SECTION. THE LEGISLATURE SHALL ESTABLISH A TIMELINE FOR VALUATIONS, APPEALS, AND BILLING CONSISTENT WITH THE PROVISIONS OF THIS SUBSECTION.

(11) THE PROVISIONS OF THIS SECTION SHALL BE LIBERALLY CONSTRUED AND SHALL APPLY NOTWITHSTANDING ARTICLE IX SECTION 23 AND ARTICLE XII SECTION 7 OF THIS CONSTITUTION.

4. Severability

If any provision of this amendment or its application to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of the amendment that can be given effect without the invalid provision or application; and to this end the provisions of this amendment are severable.

5. Legislative Authority

Subject to the provisions of this amendment if adopted, the Legislature or any other taxing entity so empowered may enact any measure designed to further the purpose of this amendment.

6. Submission to voters

The Secretary of State shall submit this proposition to the voters at the next general election as provided by Article XXI, of the Arizona Constitution.